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Message Text

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ORIGIN EB-03

INFO OCT-01 ISO-00 /004 R

66611
DRAFTED BY: EB/ORF/ICD:NHERRINGER
APPROVED BY: EB/ORF/ICD-NHERRINGER
---------- 059749
R 072356Z MAY 75
FM SECSTATE WASHDC
TO USDEL MTN GENEVA

LIMITED OFFICIAL USE STATE 097097

FOR MTN DEL GENEVA

FOLLOWING REPEAT STATE 97097 ACTION OECD PARIS 26 APRIL
AND REPEATED TO EC BRUSSELS 28 APRIL.

QUOTE

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E.O. 11652:N/A
TAGS:ETRD, OECD
SUBJECT: US POSITION ON COMMODITY ISSUES FOR OECD TRADE
COMMITTEE MEETING, APRIL 30

REF: (A) OECD 9331, (B) OECD 6533

1. HAVE RECEIVED IN WASHINGTON OECD DOC CE(75)5 WHICH
SUMMARIZES TASK FORCE FINDINGS AND PRESENTS POSSIBLE
LINES OF ACTION TO BE CONSIDERED BY TRADE COMMITTEE AND
SUBSEQUENTLY BY XCSS; WE HAVE NOT RECEIVED DETAILED BACK-
GROUND PAPER MENTIONED IN SYG NOTE. BASED ON REPORT XCSS
(REFTELB) AND OF TASK FORCE MEETING (REFTEL A) IT IS OUR
UNDERSTANDING THAT TRADE COMMITTEE WILL NOT REVISE PAPERS
BUT MAY SUBMIT ORAL OR WRITTEN COMMENTS ON THEM WHICH WILL
BE FORWARDED TO MAY 6-7 XCSS MEETING. US DEL TO TRADE
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COMMITTEE SHOULD DRAW ON FOLLOWING PARAS IN ORALLY COMMENT-
ING ON SECRETARIAT'S PAPER.

2. SECRETARIAT PAPER DOES NOT APPEAR TO ACCURATELY REFLECT

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EXPERTS' CONCENSUS REPORTED REFTEL (A) I.E., THEIR
OBJECTION TO EMPHASISON NEED FOR EMERGENCY STOCKPILE ACTION
TO DEAL WITH PRICE LEVELS AND THE THREAT OF UNDERINVEST-
MENT, PAPER ALSO IGNORES IMPORTANT POINT RAISED AT
EXPERTS MEETING, I.E. THE RECOGNITION OF THE INDIVIDUALITY
OF VARIOUS COMMODITY PROBLEMS AND THE RESULTING NEED TO
TAILOR SOLUTIONS TO THE PARTICULAR PROBLEMS AND OBJECTIVES.

3. ALTHOUGH REPORTING CABLE INDICATED SOME DIFFERENCES IN
VIEWS BETWEEN THE SECRETARIAT AND EXPERTS ANDALSOAMONG
EXPERTS, IT WAS AGREED THAT COPPER, RUBBER, WOOL AND
LEAD AND ZINC, AND TUNGSTEN SHOULD BE GIVEN PRIORITY
CONSIDERATION. SECRETARIAT NOTE GIVES NO HINT OF POSSIBLE
OPTIONS TO DEAL WITH THESE SPECIFIC SITUATIONS. WE ALSO
NOTE THAT DESPITE FACT THAT EXPERTS DID NOT AGREE WITH
SECRETARIAT CONCLUSION THAT EMERGENCY ACTION THROUGH
EXTENSIVE STOCKPILING WAS NECESSARY, SECRETARIAT PAPER
STILL RETAINS THIS CONCEPT.

4. IN ABSENCE OF SECRETARIAT REDRAFT OF BACKGROUND PAPER
WE UNABLE TO JUDGE HOW ACCURATELY REVISION REFLECTS
EXPERTS VIEWS OR HOW POSSIBLE LINES OF ACTION ADVANCED
BYSECRETARIAT FLOW FROM REVISED SECRETARIAT ANALYSIS.
(REFTEL B NOTED THAT COMPLETE REVISION OF SECRETARIAT
PAPER WOULD BE MADE.) CONSIDERING SECRETARIAT'S DOCUMENT
OF FINDINGS AND POSSIBLE ACTIONS ON ITS OWN MERITS,
HOWEVER, SEVERALOF THE IDEAS ADVANCED APPEAR TO REPRESENT
INTERESTING POSSIBLE LINES OF EXPLORATION FOR ACTION
(EMERGENCY ACTION NOT AMONG THEM) BUT NEED CONSIDERABLY
MORE FLESHING OUT BEFORE ANY JUDGMENT CAN BE MADE ASTO
THEIR ACCEPTABILITY. WE NOTE THE OMISSION OF ANY
PROPOSALS FOR COMMODITY EXPORT STABILIZATION SCHEMES
ALONG LINES OF EC STABEX AND U.K. PROPOSAL AND WOULD BE
INTERESTED IN REASONS FOR ITS EXCLUSION FROM PAPER.

5. THE SECRETARIAT APPROPRIATELY HIGHLIGHTS THE
DIFFICULT POLICY PROBLEMS RAISED BY POSSIBLE UNILATERAL
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ACTIONS BY OECD COUNTRIES TO ASSURE SECURITYOF SUPPLY
(PARAS 23-25). IN VIEW OF THE SERIOUS QUESTIONS RELATING
TO THE ECONOMIC EFFICIENCY OF SUCH ACTIONS, AND POLITICAL
AND ECONOMIC IMPACT OF SOME OF THEM ON LDCS
(E.G., THE ENCOURAGEMENT OF SPARE SYNTHETICCAPACITY
RUNS COUNTER TO THE DESIRES OF LDC PRODUCERS OF COMPETING
NATURAL PRODUCTS AND IMPLIED POSSIBLE RESORT TO TRADE
BARRIERS)WE WOULD BE INTERESTED IN HEARING MORE OF
SECRETARIATS PROPOSALS ALONG THESE LINES.

6. CONCERNING PARA. L3 TO L8 ON COMMODITY AGREEMENTS,
AND LONG-TERM CONTRACTS, THE U.S. POSITION ON THESE

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PROPOSALS WILL HAVE TO AWAIT A USG INTERAGENCY REVIEW OF US COMMODITY POLICY NOW UNDER WAY. WE DO HOWEVER FIND DISCUSSIONS OF THESE IDEAS IN THE OECD USEFUL. IT IS NOT CLEAR WHAT THE SECRETARIAT HAS IN MIND IN PARA. L4 ON QUOTE LESS FORMAL ARRANGEMENTS UNQUOTE AND IT WOULD BE USEFUL TO HAVE THIS IDEA PRESENTED IN A LITTLE MORE DETAIL.

7. FYI. WITH REGARD TO USING SECRETARIAT PAPER AS BASIS FOR MINISTERIAL DECLARATION, IT IS OUR UNDERSTANDING THAT FUNCTION OF THIS TRADE COMMITTEE MEETING IS NOT TO MAKE RECOMMENDATIONS FOR OR AGAINST THIS IDEA. HOWEVER U.S. DEL MAY AT HIS DISCRETION REITERATE THE DOUBTS EXPRESSED BY UNDER SECRETARY ROBINSON ABOUT THE BENEFITS TO BE GAINED FROM SUCH A DECLARATION BY THE OECD. THERE IS CONSIDERABLE SKEPTICISM AMONG WASHINGTON AGENCIES THAT THE ISSUANCE OF A DECLARATION OF GENERAL PRINCIPLES WILL ACHIEVE THE POLITICAL IMPACT ON LDCS DESIRED (E.G, BRINGING THE LDCS INTO A MORE REALISTIC BARGAINING ON THE ISSUES INVOLVED.) SOME OF OUR OFFICIALS QUESTION WHETHER THERE IS IN FACT A BASIS FOR A DECLARATION AND FEAR THAT A STATEMENT OF GENERAL PRINCIPLES WHICH DEVELOPED COUNTRIES HAVE MAINTAINED IN INTERNATIONAL FORUMS, BUT WHICH HAVE BEEN UNACCEPTABLE TO THE LDCS, MIGHT BE COUNTERPRODUCTIVE. OTHERS THINK THAT A FIRM STATEMENT OF WHAT OECD COUNTRIES ARE PREPARED TO CONSIDER AND ONE WHICH WOULD BE FOLLOWED UP BOTH IN SPECIFIC TRADE NEGOTIATING FRAMEORKS AND IN THE UNGA SEVENTH SPECIAL SESSION NEXT FALL MIGHT PROVE PRODUCTIVE. WE WOULD LIKE TO HAVE A FULL DISCUSSION IN
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THE XCSS AS TO THE BEST STRATEGY TO FOLLOW FOR DEALING REALISTICLY WITH LDCS IN THOSE AREAS OF PRIORITY CONCERN TO BOTH THE DEVELOPING AND DEVELOPED COUNTRIES. END FYI. USDEL SHOULD REPORT IN DETAIL ON THE THINKING OF OTHER DELEGATIONS TO ASSIST USDEL TO MAY 6-7 XCSS MEETING. KISSINGER UNQUOTE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEE MEETINGS, MEETING REPORTS, RAW MATERIALS, TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE197097
Document Source: ADS
Document Unique ID: 00
Drafter: EB/ORF/ICD:NHERRINGER
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750161-0402
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197505104/baaaasma.tel
Line Count: 151
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 21 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 APR 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

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05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 971010
Subject: n/a
TAGS: ETRD, OECD
To: MTN GENEVA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006